

Olene S. Walker Governor Robert L. Morgan Executive Director Lowell P. Braxton Division Director

State o. Utah DEPARTMENT OF NATURAL RESOURCE

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

1594 West North Temple, Suite 1210 PO Box 145801 Sait Lake City, Utah 84114-5801 801-538-5340 801-359-3940 (Fax) 801-538-7223 (TDD)

U S ENERGY CORP 877 N 800 W RIVERTON WY 82501

ATTENTION: DANIEL ARIMA

ANNUAL PERMIT FEE	Annual Permit Fe	es (July 20	04 thru June 2005)
PROJECT NAME	PROJECT ID	ACRES	BILLING DATE
VELVET	M370040	22	06/29/2004
PERMIT TYPE	PROJECT STATUS		
LARGE MINING OPERATION < 50 ACRES	INACTIVE		ANNUAL FEE
			\$ 500

DUE DATE	AMOUNT DUE	
07/30/2004	\$ 500	

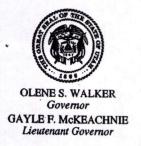
Please see enclosed instructions for payment.

Please retain this portion for your records. For billing Information call (801) 538-5291

This portion MUST be returned with your payment to ensure proper credit. THANK YOU

ACCOUNT BILLED U S ENERGY CORP		PROJECT NAME VELVET		PROJECT ID M370040	
					DUE DATE
07/30/2004	\$ 500	\$ 500	Permittee requests an inspection to close	Contact	
	(ID OR SOCIAL SE	CURITY#	out this permit.	Address	
DIVISION OF OIL GAS AND MINING 1594 WEST NORTH TEMPLE SUITE 1210 PO BOX 145801 SALT LAKE CITY UT 84114-5801		E-Mail Address Zip Phone			

Please make check payable to:
Division of Oil, Gas and Mining



State of Utah

DEPARTMENT OF NATURAL RESOURCES Division of Oil, Gas & Mining

ROBERT L. MORGAN Executive Director LOWELL P. BRAXTON Division Director

June 28, 2004

Subject: Notification of Permit Fees for Fiscal Year 2004-2005 & "ANNOUNCEMENT"

Dear Permittee:

There have been several changes in the Minerals Regulatory Program during this past year. This letter and the enclosed "ANNOUNCEMENT" to all operators with active permits, serves as official notification of those changes.

Permit Fees - no change

We are now entering our seventh year of annual permit fee assessment as authorized by the Utah State Legislature in 1998. The fees remain at:

Exploration projects

\$150.00

Large Mines (less than 50 acres disturbed) \$500.00

Small Mines

\$150.00

Large Mines (over 50 acres disturbed) \$1,000.00

The minerals rules require the payment of an annual permit fee for all mining and exploration <u>active</u> <u>permits</u> (note: the <u>mine/project</u> may be <u>inactive</u>; however, if the site has not been fully reclaimed and <u>officially</u> released by the Division, <u>the permit remains active</u> and permit fees are required).

Permit Fees for the 2004-2005 fiscal year are due by July 30, 2004, the last Friday of July.

Note: If the site is fully reclaimed (i.e., 3 growing seasons have passed & conditions meet the 70% premining vegetation standard) and you no longer wish to keep your permit active, you may check the box on the billing form requesting a site inspection (see item #5 on reverse side of this sheet).

Before you check the box requesting an inspection and file closure, please make certain that all mining related waste, trash and debris have been removed, and that the vegetation is well established.

Delinquent fee notifications will be turned over to the Utah Office of Debt Collection (see item #6 on the reverse side of this sheet).

If you have any questions or concerns regarding this letter or the enclosed "Announcement", please contact Joelle Burns at (801) 538-5291, or Daron Haddock at 538-5325. Thank you for your expeditious attention to this annual permitting requirement.

Sincerely,

D. Wayne Hedberg

Permit Supervisor

Minerals Regulatory Program

DWH:jb

Enclosure: ANNOUNCEMENT

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Utah!

Instructions for Payment of Fees

1. Collection of Permit Fees

The Utah Legislature authorized the collection of permit fees in the Minerals Program July 1, 1998. The fees provide supplemental funding for processing and maintaining mining and exploration permit applications and inspection of those sites.

Please note:

Some companies/operators may receive more than one billing form (i.e. multiple mines/projects). It is important to return each one of those forms to ensure proper credit.

2. Fees Are Assessed as Follows:

Notices of Intent	Annual Fee
Exploration Operations	\$150.00
Small Mining Operations (5 or less disturbed acres)	\$150.00
Large Mining Operations (less than 50 disturbed acres*)	\$500.00
Large Mining Operations (more than 50 disturbed acres*)	\$1,000.00

3. Fees Due Date

Fees are due by the last Friday in July, for all permitted operations or applications presently under Division review. Fees will also be due upon submission of a new permit application or a permit amendment/revision which increases the acreage to a new fee category.

4. Failure to Pay

Failure to pay the required permit fee will <u>automatically suspend an operator's authorization to mine or explore</u> (site reclamation is still required by the operator). Permit revocation and an Order to reclaim the site may subsequently be required by the Board of Oil, Gas and Mining after Notice and Hearing. New permit applications require fee enclosure with the application, before it will be processed

5. Opportunity to Close Out a Permit

Permittees have the opportunity to close out a permit and not pay the fee. To be eligible to close out a permit, you must return the enclosed billing form with the appropriate box checked. You will then be contacted by the Division to arrange for an onsite inspection. The area must be fully reclaimed and in a stable condition to be eligible for closing out a permit. If the area is suitably reclaimed, then NO FEE WILL BE DUE. If the area is not yet suitably reclaimed, then a new billing notice will be issued and the permittee will be given 30 days from the date of the onsite inspection to pay the fee.

6. Delinguent Fees

All permit fees which remain uncollected 30 days after the due date will be turned over to the Utah Office of Debt Collection (ODC). Additional penalties, interest and collection fees will be assessed by the ODC. The Division will only accept delinquent fee payments upon verification from ODC that the amount for penalties, interest and collection fees have been included. Otherwise, payment of these fees must be made through ODC directly. You may contact them at (801) 538-3603.

7. Change of Address

Please note any address or telephone changes on the return form. (NOTE: An operator cannot be changed on this form. This must be accomplished through a formal Permit Transfer).

8. Questions or Comments

Please contact Daron Haddock at (801) 538-5325 or Joelle Burns at (801) 538-5291.

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